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DEPT DIST'N INSTRUCTIONS
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SUGGESTED DISTRIBUTION

Summary: Korean footwear makers produced 265.5 million pairs in 1980, a decline of 7.9% in comparison to the 288.3 million pairs produced in 1979. The production of canvas shoes grew 6.3% while all other categories declined. Exports declined by 2.8% in volume during 1980. However in value exports increased 16%: $893.3 million in 1980 over $769.9 million in 1979. As in previous years U.S., Japan, the U.K. and Canada remained primary markets; 72.4% the total exports were shipped to these four countries during 1980 (Table 3). Encouraged by USITC's recommendation of March 9 for termination of the nonrubber footwear orderly marketing agreement (OMA), industry sources were reported to be anticipating that their shipments to U.S. markets will grow sizeably during the latter half of 1981. End Summary.

Production: Canvas shoes remained the principal product in 1980 showing a moderate growth of 6.3% over 1979. The manufacture of 153.8 million pairs of canvas shoes represented 57.9% of Korea's total footwear production. Canvas shoes were followed by rubber boots which represented 9.2% of total production, chemical shoes (8.4%),

Enclosure: Tables 1-4.

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leather shoes(8.0%) and slippers (7.7%). A drastic reduction occurred in the production of rubber boots and rubber shoes. In fact all categories except canvas shoes declined in 1980, accelerating a trend that started in 1979 when total production declined 0.7% over 1978.

Industrial sources reported lack of demand and low profitability as reasons for this decline. For example, Korean footwear makers point out that production costs for rubber footwear (rubber shoes and rubber boots) increased 15% in 1980 over the previous year, while the export price grew only 7.4% -- from $3.91 per pair in 1979 to $4.20 per pair this year. By producer, ICC, newly-renamed Kukje corporation, kept its position as the top manufacturer in Korea. The top five (ICC, Tae Hwa, Sam Hwa, Chin Yang and Tong Yang) produced 64% of all Korean footwear (265.5 million pairs) in 1980. The 1980 operational ratio of actual production compared with total capacity was reported as 88%.

Exports

Canvas shoes occupied 60% of total Korean exports of 200.8 million pairs. Although Korean footwear exports during 1980 marked a negative growth in volume of 2.8% from the previous year, by value they grew from $769.9 million to $893.3 million, a gain of 16.0%. By importing country, Korea shipped 96.8 million pairs to the U.S. in 1980; a growth of 22.9% in quantity and 33.4% in value. Next were Japan (27.9 million pairs), the U.K. (10.9 million pairs) and Canada (9.7 million pairs). A significant decrease was noted in Korean exports to Japan (minus 43.6%) and to the United Kingdom (minus 24.2%) while shipments to "other countries" were stable: 54.1 million pairs in 1979 rose slightly to 55.5 million pairs in 1980.

Effects of the OMA and changes in export market dependence

The OMA was imposed in June, 1979 because of Korea's rapid export growth in the U.S. market. The agreement, which restricted Korean export of non-rubber shoes, will end June 30, 1981, unless extended by the U.S. government. Korean export dependence on the U.S. market continually declined during the 1977-1979 period: 51% in 1977; 46.6% in 1978 and 38.1% in 1979, on a volume basis. At the same time exports to third countries (Other Countries in Table 3) have continued to grow: 19.1% in 1977, 21.1% in 1978; 26.2% in 1979 and 27.6% in 1980. News reports quoted industrial sources that Korea may be able to export an additional 15 million pairs of shoes to the U.S. this year if the OMA is terminated on schedule.

GLEYSTEEN

Table 1, Korea's Major Footwear Makers and Annual Production

(Unit: 1,000 pairs)

	1978	1979	1980	% Change 80/79
ICC	67,559	63,343	58,084	-8.3
Sam Hwa	16,673	30,593	28,048	-8.3
Tae Hwa	42,267	51,756	33,785	-34.7
Chin Yang	35,034	31,209	26,290	-15.8
Tong Yang	22,461	23,035	23,551	2.2
Taejon	1,853	1,338	1,174	-12.3
Dae Woo	1,807	2,097	9,677	361.5
Kum Kang	1,167	1,298	687	-47.1
Dae Dong	1,680	1,754	1,291	-26.4
Others	69,913	81,892	82,903	1.2
Total	290,414	288,315	265,490	-7.9

Source: Korean Footwear Exporters Association

Table 2. Korea's Footwear Production By Kind

(Unit: 1,000 pairs)

	1978	1979	1980	% Change 80/79
Rubber Shoes	17,279	16,583	11,860	-28.5
Rubber Boots	36,926	37,495	24,486	-34.7
Canvas Shoes	128,285	144,686	153,834	6.3
Chemical Shoes	41,804	24,127	22,204	-8.0
Leather Shoes	21,681	21,293	21,259	-0.2
Slippers	21,649	24,420	20,504	-16.0
Others	22,790	19,711	11,343	-42.5
Total	290,414	288,315	265,490	-7.9

Source: Korean Footwear Exporters Association.

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Table 3. Korea's Footwear Export by Country

(Unit: Quantity in 1,000 pairs
Value in $Million, FOB on Customs Clearance Basis)

	1978		1979		1980		% Change
	Q'ty	Value	Q'ty	Value	Q'ty	Value	80/79 Q'ty
U.S.							
Rubber Shoes & Boots	18,187		13,713		6,401		-53.3
Canvas Shoes	64,455		45,363		60,800		34.0
Chemical Shoes	3,611		1,046		6,252		497.7
Leather Shoes	9,667		10,491		13,377		27.5
Slipper	3,469		3,934		2,959		-24.8
Others	6,303		4,203		7,014		66.9
Total	105,692	417.8	78,750	372.6	96,803	497.2	22.9
Japan							
Rubber Shoes & Boots	8,816		7,166		6,840		-4.6
Canvas Shoes	32,511		34,418		17,808		-48.3
Chemical Shoes	748		1,890		957		-49.4
Leather Shoes	623		2,633		1,488		-43.5
Slipper	3,094		2,847		586		-79.4
Others	914		556		251		-54.9
Total	46,706	111.2	49,510	126.9	27,930	83.3	-43.6

Source: Korean Footwear Exporters Association.

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Table 3. Korea's Footwear Export by Country (Cont'd.)

(Unit: Quantity in 1,000 pairs
Value in $Million, FOB on Customs Clearance Basis)

	1978 Q'ty	1978 Value	1979 Q'ty	1979 Value	1980 Q'ty	1980 Value	% Change 80/79 Q'ty
U.K.							
Rubber Shoes & Boots	473		543		315		-42.0
Canvas Shoes	9,223		8,112		5,239		-35.4
Chemical Shoes	928		179		240		34.1
Leather Shoes	235		1,107		916		-17.3
Slippers	4,855		4,212		4,079		-3.2
Others	195		180		75		-58.3
Total	15,909	39.1	14,333	48.5	10,864	39.3	-24.2
Canada							
Rubber Shoes & Boots	2,310		2,467		1,445		-41.4
Canvas Shoes	5,750		5,114		7,103		38.9
Chemical Shoes	259		50		67		34.0
Leather Shoes	265		394		266		-32.5
Slippers	839		529		343		-35.2
Others	1,267		1,076		462		-57.1
Total	10,690	30.4	9,630	32.6	9,686	38.0	0.6

Source: Korean Footwear Exporters Association.

Table 3. Korea's Footwear Export by Country (cont'd)

(Unit: Quantity in 1,000 pairs
Value in $Million, FOB on Customs Clearance Basis)

	1978		1979		1980		% Change
Other Countries	Q'ty	Value	Q'ty	Value	Q'ty	Value	80/79 Q'ty
Rubber Shoes & Boots	7,607		10,824		6,987		-35.5
Canvas Shoes	14,976		25,931		29,635		14.3
Chemical Shoes	1,191		442		1,338		202.7
Leather Shoes	1,064		2,910		3,940		35.4
Slipper	8,361		12,898		12,537		-2.8
Others	14,722		1,123		1,065		-5.2
Total	47,921	127.1	54,128	189.3	55,502	235.5	2.5
Total							
Rubber Shoes & Boots	37,393		34,713		21,988		-36.7
Canvas Shoes	126,915		118,938		120,585		1.4
Chemical Shoes	6,737		3,607		8,854		145.5
Leather Shoes	11,854		17,535		19,987		14.0
Slipper	20,618		24,420		20,504		-16.0
Others	23,401		7,318		8,867		21.2
Grand Total	226,918	725.6	206,531	769.9	200,785	893.3	-2.8

Source: Korean Footwear Exporters Association.

Table 1: Korea's Footwear Export By Major Country in Value

(Unit: In Million of Dollars, FOB on Customs Clearance Basis)

	1978	1979	1980	% Change 80/79
U.S.A.	417.8	372.6	497.2	33.4
Japan	111.2	126.9	83.3	-34.4
Canada	30.4	32.6	38.0	16.6
U.K.	39.1	48.5	39.3	-19.0
W. Germany	12.4	32.2	36.4	13.0
France	20.1	38.6	45.1	16.8
Netherlands	18.1	20.1	23.2	15.4
Others	76.5	98.4	130.8	32.9
Total	725.6	769.9	893.3	16.0

Source: Korean Footwear Exporters Association.